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Bermuda

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I. General

1. Bermuda[1] is located in the western part of the Atlantic Ocean about 917 kilometres east of Cape Hatteras on the North Carolina coast of the United States of America.

2. The Territory has a total area of 53.35 square kilometres and consists of 150 islands and islets extending from north-east to south-west along the edge of an extinct, submarine volcano. Many of the islands are connected and rise above sea level to an average height of 30 metres and a maximum elevation of 86 metres. The terrain is generally hilly, with fertile depressions and some marshy areas. The largest island is about 22.5 kilometres long and 3.2 kilometres wide. It covers an area of about 3,650 hectares, consisting mostly of a fertile, shallow valley.

3. According to the latest estimates, the population of Bermuda totalled 61,644 as of 1995. The last official census, taken in 1992, placed the population at 60,075.

II. Constitutional and political developments

A. General

4. Bermuda is administered by the United Kingdom of Great Britain and Northern Ireland. In June 1997, Queen Elizabeth II appointed Mr. Thorold Masefield as Governor of Bermuda. He is responsible for defence, external affairs and internal security.

5. The Constitution of Bermuda, adopted in June 1968 and amended in 1973, 1979 and 1989, contains provisions relating to the protection of fundamental rights and freedoms of the individual; the powers and duties of the Governor; and the composition, powers and procedures of the Legislature, the Executive, the judiciary and the public service.

6. The Government of Bermuda consists of a Governor, a Deputy Governor, a Cabinet and a bicameral Legislature comprising a Senate and a House of Assembly. The Senate consists of 11 members, five appointed by the Governor on the advice of the Premier, three on the advice of the leader of the opposition and three by the Governor at his discretion. The 40-member House of Assembly is directly elected for a maximum term of five years.

7. The Governor who, as noted above, is appointed by the Queen, is responsible for defence, external affairs, internal security and the police. The Governor has delegated some responsibilities in these areas to the territorial Government. In exercising his reserved powers, the Governor is required to consult with the Governor's Council, of which he is Chairman, and of which the Premier and two or three Cabinet ministers nominated by the Premier are members. The Premier, Ms. Pamela Gordon, and her Cabinet, through the Legislature, have full responsibility for the Government, except where restricted by the Governor's reserved powers. The Secretary of the Cabinet, appointed by the Governor in accordance with a recommendation of the Premier, heads the public service and also acts as Secretary to the Governor's Council.

8. As a crown colony, Bermuda has no independent international relations at the political level. It maintains a 700-strong Defence Regiment; the male adult population is subject to military conscription, involving three years' part-time liability for weekly drills and an annual camp.

9. Bermuda's law and legal system are based on the United Kingdom model; the ultimate court of appeal is the Privy Council in the United Kingdom.[2]

B. Political parties and elections

10. There are three political parties in the Territory: the United Bermuda Party (UBP), the National Liberal Party (NLP) and the Progressive Labour Party (PLP). The Premier is chosen from the majority party and heads a cabinet of no more than 14 members of the legislature.

11. In the most recent general election in Bermuda, held on 5 October 1993, UBP won a majority of 22 seats in the territorial Legislature and PLP obtained 18 seats. The UBP has won all elections since the beginning of the party system in 1968. The next election is due by October 1998.[3]

III. Activities related to the withdrawal of military bases

12. Until September 1995, the United States of America maintained a naval air station in Bermuda; its evacuation released an area of land amounting to 10 per cent of the Territory's total area. Information on activities related to the withdrawal of the military bases during 1993 and 1994 is contained in previous working papers on the Territory prepared by the Secretariat (A/AC.109/1189, paras. 31-35, A/AC.109/2020, paras. 10-11). It will be recalled that, in October 1995, Mr. Grant Gibbons, the Minister of Finance, announced the closure of the following military bases and/or installations in the Territory: the United States Naval Air

Station at St. David's, the United States Naval Annex and Tudor Hill facility at Southampton; and the former Canadian Forces Station at St. Daniel's Head. He warned that the withdrawal of those military bases would result in an annual loss by the Territory of approximately US$ 50 million in the foreign currency earnings that had originated from the operation of those bases. The Minister further unveiled a long-term plan for the utilization of the land transferred to the jurisdiction of the territorial Government as a result of those closures. The plan includes the following development projects: a golf course and other tourism-related developments, a commercial fisheries centre, a technology park, an educational and research centre, a public marina and recreation facilities. It is expected that the implementation of the plan could create an additional 3,000 jobs in Bermuda. The Bermuda Land Development Company, a quasi-government agency, will manage and finance the projects (A/AC.109/2041, paras. 8-9).

13. The closure of the United States military bases has left a significant environmental problem which relates to the 272 containers of asbestos that were used in the base buildings and other facilities. The land of the former base also poses a problem of soil and ground water pollution.

14. The environmental situation is unique in many respects. Land is obviously scarce, freshwater resources are very limited, and storage capacity for hazardous waste disposal does not exist. It is one of the most northerly coral reef areas, making the marine environment surrounding the island extremely fragile as well. Asbestos would have to be removed from the buildings that will be demolished. In addition, industrial waste and raw sewage that were disposed of in Bassetts's Cave over time will pose a threat to parts of the island's water system, unless they are removed. Underground and above-ground petroleum storage tanks – many in poor condition – are leaking into surrounding soil and groundwater. Landfills left behind are also causing environmental problems.

15. In this connection, the United States was reported to be considering a study on the need for an environmental clean-up of its former military bases in the Territory to redress the damage which resulted from that presence.[4]

IV. Economic conditions

A. General

16. Bermuda has no natural resources, in the conventional sense, upon which to build a viable economy. It has historically capitalized on its location and scenic beauty and has developed a renowned tourist industry, which continues to be an important component of the territorial economy. The international business industry also makes an important contribution to the economy of Bermuda, bringing in large amounts of foreign currency. Other earnings are derived from shipping, investment income and other goods and services.

17. Manufacturing and agriculture exist on a limited scale and therefore contribute little to the economy of Bermuda. The local manufacturing sector includes printing, fish processing and ship repair, as well as the manufacture of paint. In recent years, there have been attempts to attract high-technology companies to Bermuda in an effort to develop in the Territory a centre for information technology. Agricultural activity is constrained by the small amount of land available for farming.

18. According to the administering Power, during 1996, the rate of inflation was 2.5 per cent, compared with 2.5 per cent in 1995 and 2.3 per cent in 1994. Gross national product (GNP) per head is one of the highest in the world, estimated in fiscal year 1994/95 at $27,500 (at factor cost).[5]

19. Bermuda's official gross domestic product (GDP) statistics do not have a sectoral breakdown, but employment surveys provide a rough guide to the importance of the different economic sectors, allowing for varying labour intensity. These show hotels and restaurants as the largest single employer in 1996, at 17.3 per cent of the total, maintaining their long-term primacy, while community, social and personal services ranked a close second (at 16.1 per cent) and the financial sector a close third (15.3 per cent).[6]

20. As a policy, successive budgets have increased a variety of taxes and fees for government services; a capital gains tax on property sales by non-Bermudians was introduced in 1995. There is no income tax, and customs duties account for about 35 per cent of government revenues; other significant revenue sources are company fees, land and stamp taxes, employment tax, a hospital levy, vehicle licence fees and taxes on hotel occupancy, passenger departures and cigarette sales. On the expenditure side, recent years have seen an increasing stress on improving the competitiveness of the tourism sector and enhancing the skills of Bermudians.

21. Bermuda's heavy dependence on imports, overwhelmingly from the United States, and the currency's peg to the dollar mean that inflation has followed the United States pattern.[7]

B. Public finance

22. The budget for 1997/98 announced an external, high-level review of Bermuda's tax structure. This review began in November 1997 and is expected to be completed in 1998. It is meant to ensure that the tax system keeps pace with the changing economy and is efficiently and equitably balanced. It is the Government s view that it is fundamental to Bermuda's future success that economic and fiscal policies are in place to encourage market forces and maintain business confidence. There will also be a review of customs duties.

23. According to the Minister of Finance of the Territory, the revised revenue outlook for the 1997-1998 fiscal year is projected to exceed the original estimate of US$ 488.4 million by $16 million, for a total of $504.4 million. Overall revenue growth was supported by an increase in customs duties anticipated to show $2.9 million more than estimated, producing $147 million. New shipping registrations would generate an additional $800,000 for a total of 1.6 million; and increased fees received for sales of land to non-Bermudians would yield an additional $6.3 million, for an expected total of $13.3 million. Payroll tax is expected to be up by $3 million, to $136 million.

24. The territorial Government's original forecast of account expenditures for 1997-1998 was $461.7 million. There were some items of unbudgeted expenditure, but savings in others to offset them. As a consequence, the original current account expenditure estimate for the year was expected to be exceeded by 0.1 percent, or $500,000.

25. According to official sources, Bermuda's economic growth measured by GDP has been robust. The economy has grown, on average, 4.2 per cent per year. Bermuda has a low and stable rate of inflation to encourage business investment, and create economic growth and jobs to benefit people on fixed incomes. The consumer price index rose only 2.1 per cent in 1997.

26. The current account of the balance of payments showed a substantial surplus in 1997. Government borrowing remained very modest and the Government's outstanding debt will stand at 7.0 per cent of GDP by the end of the 1997/98 fiscal year.

27. More than 650 new jobs were created in 1997. In percentage terms, job creation exceeded the performance of the group of major industrial countries. In 1996, Bermuda's foreign currency earnings from international businesses grew nearly 20 per cent to US$ 631 million. In 1997, international companies increased to 10,349 by the end of September and the number of persons they employed was 2,667; of these, 1,528 or 57.3 per cent, were Bermudians.

C. Banking

28. Foreign banks are not allowed to operate in Bermuda; therefore, local banks benefit from a quasi-monopoly in handling lucrative international business operations for offshore clients.

29. The Bank of Bermuda, founded in 1889, is ranked as the world's 684th largest bank, and the Bank of Butterfield is ranked 795th. A third bank, Bermuda Commercial Bank, founded in 1969 and the only bank owned by Bermudians of African ancestry, was acquired in 1993 by First Curaçao International Bank based in the Netherlands Antilles. The Central Bank, The Bermuda Monetary Authority, was established by the Bermuda Monetary Act 1969.

30. According to the administering Power, as of September 1996, the assets of the Bermuda banks stood at 13,328 million Bermuda dollars (B$).[8] They included cash and demand deposits, B$ 460 million; time deposits, B$ 5,035 million; investments, B$ 4,916 million, loans and advances, B$ 2,254 million; premises and equipment, B$ 222 million; and other assets, B$ 441 million.

D. International business

31. The contribution made by international business companies to Bermuda's economy continued to be an important factor of the economic welfare of the Territory.

32. Bermuda is one of the world's leading offshore financial and business centres, a leading world captive insurance centre and a favoured venue for specialist companies operating as financial reinsurers covering international companies against the cost of legal awards. The growth of this sector in Bermuda is attributable mainly to increasing rates for international reinsurance in Europe and North America, as well as to the Territory's financial regulations and the absence of a tax on profits, dividends or income.

33. According to the territorial Government, international business needs to be marketed properly and a positive image of Bermuda presented to the world. For 1998/99, through the Office of the Registrar of Companies, a further $250,000 is being allocated in the budget to the marketing of Bermuda's pre-eminent offshore insurance industry. In addition, $550,000 is budgeted for increased support to the Bermuda

International Business Association for their extensive marketing and promotional activities.

34. The Registrar of Companies, who is the chief regulator of the territorial insurance industry, has reiterated in recent statements that the standards and rules of acceptance in the industry must be kept high in order to screen out disreputable companies attempting to domicile in Bermuda. He also said that his department was increasing the level of its staff and improving its technical facilities in order to cope with the growth in the insurance and reinsurance market.

35. Bermuda maintains a substantial shipping register that ranks as the fifth largest in the world, and now outstrips tourism as a foreign-exchange earner and contributor to government revenues.

36. The Bermuda Stock Exchange celebrated 26 years of securities trading in Bermuda during 1997. Bermuda is implementing a strategic plan to turn the Stock Exchange into a modern, fully electronic offshore exchange.

E. Transport and communications

37. Basic information on transport and communications is contained in the 1994 and 1995 working papers on Bermuda prepared by the Secretariat (A/AC.109/1189, paras. 57-59, and A/AC.109/2020, paras. 22 and 23).

38. For international business, Bermuda requires effective and competitively priced communications. The Government is allocating $94,000 to the Department of Telecommunications to engage a consultant to ensure that the demands of a competitive environment are actively addressed following deregulation.

39. The Government is reducing licensing fees for operators of minibuses and other vehicles to assist both locals and tourists to move around the island.

F. Tourism

40. During the period under review, tourism continued to constitute a major sector of the territorial economy and a principal source of foreign exchange.

41. The 1998-1999 budget presented by the Minister of Finance of Bermuda, which envisages support for the new Bermuda Tourist Authority as a public/private sector partnership to address major problems in Bermuda's most important and labour-intensive tourism industry, is reported to be proceeding, with funds allocated to the Bermuda Government's Ministry of Tourism to be used to support it.

42. The number of tourists fell in 1997. Arrivals by air were down by 2.7 per cent, with a 3.5 per cent decline in stay-overs (bed nights). Small hotels, housekeeping cottages and guests houses all experienced a greater loss of business than the large hotels and cottage colonies.

43. Cruise-ship passenger arrivals increased to over 181,000, surpassing the record set in 1996, but not enough to offset the decline in arrivals by air. The overall number of visitors fell by 1.7 per cent.

44. The Government is reported to have supported the work of the Monitor Group on Tourism to research the global and domestic challenges to the industry for a community-wide vision for its future direction. There are plans to develop and implement projects to rebuild tourism. The Government will provide $1 million for this initiative to assist the industry. The Government has carried out a review of cruise-ship policy, looking into the nature of the economic benefits and costs of bringing cruise-ship passengers to Bermuda, and has determined that a major portion of those passengers' spending accrues to the shipping line. In this connection, the Government is to bring into effect a tax payable by the cruise ships in respect of the number of passenger cabins on each ship. The tax will be $8 per cabin for each night that the ship is berthed in Bermuda, and is expected to generate a total of $1.6 million in its first year.

45. The Government of Bermuda is also examining a variety of approaches to encourage investment in new and existing hotel properties, including tax-incentive financing. The introduction in 1991 of the Hotel Refurbishment Act encouraged the renovation of hotels. Duty was lowered to 5 per cent on capital goods utilized in upgrading existing hotel facilities, and later expanded to cover goods used to develop additional rooms for existing hotel facilities. In order to provide further stimulus to encourage investment in both new and existing guest accommodations, it is proposed that the rate of duty be lowered to zero under the Hotel Refurbishment Amendment Act of 1998, for a limited period of three years, on those items currently enjoying the 5 per cent rate.

46. Marriot Castle Hotel is reported to be planning a $65 million project. The Bermuda Land Development company, which is responsible for the oversight of the former military bases, is reported to have accepted a resort proposal for the former United States Naval Annex in Southampton.

47. As part of its strategy to position the tourism industry to meet increasing global competition, the Government is supporting the retail sector's efforts to promote shopping and has introduced a number of amendments to the Customs Tariff Act, effectively reducing duty on selected tourist-related items.[9]

V. Social conditions

A. Race relations

48. It will be recalled that, in his statement of 5 November 1993 (see A/AC.109/1189, para. 75), the Governor announced the creation of a new Ministry of Human Affairs to deal with racial discrimination in the community and to work with all concerned towards its elimination. The Ministry established a plan of action that consisted of measures in the following three areas:

(a) The Commission for Unity and Racial Equality (CURE) Act 1994 was enacted by the Legislature and the Commission established the following year. The Commission is actively involved in working with individuals, employers, unions and institutions to promote better race relations through education and social programmes aimed at changing behaviours and improving attitudes on racial issues;

(b) The powers, scope and function of the Human Rights Commission were increased by amendments to the Human Rights Acts of 1981;

(c) Amendments were made to the Criminal Code to make "racial harassment" and "racial intimidation" criminal offences.

49. In 1995, the Government released a report entitled "Bermuda's Stride towards the Twenty-First Century", containing a sociological analysis of developments in Bermuda. The report highlighted the problems that stem from the continued existence of institutionalized racism and racism in the workplace and recommended that the Government take action to address those issues. CURE is currently addressing the issues identified in the report under the provisions set out in CURE's legislation, which empowers the Commission to publish a draft code of practice containing practical guidance for the elimination of racial and gender discrimination in employment. The Commission, after consultation with concerned organizations and associations in the community, is in the final stages of completing a draft of the code, which was due to reach the Minister in March 1997. The Commission has funded a diversity skills development programme, offered in collaboration with the National Training Laboratory Institute of Washington, D.C., and the Bermuda College. The programme was designed to train facilitators to work with a variety of organizations and institutions on the issue of diversity and how to manage it in the context of Bermuda. A total of 60 people have been trained to date, and the aim is to increase this number to 100. Under the direction of CURE, these facilitators are active in carrying out workshops with institutions to eliminate institutional racial discrimination and remove all barriers to equal opportunity in Bermuda.

B. Labour

50. According to the administering Power, as of 1996, total employment in Bermuda was 34,633. The breakdown of the employment figures by industry was as follows: agriculture, fishing and quarrying, 503; manufacturing, 1,392; utilities, 516; construction, 1,896; wholesale and retail trade, 4,877; hotels, restaurants and clubs, 5,984; transport, storage and communications, 2,205; banks, insurance, real estate and business services, 5,307; public administration and defence, 4,468; education, health, community, personal and household services, 5,581; and international companies, 2,420.

51. The Government is setting a high priority in 1998-1999 on training and retraining of adult workers for better opportunities in the economy, and has supportive programmes for summer jobs for young people.

C. Public health

52. The Ministry of Health and Social Services continues to be responsible for all aspects relating to public health. Medical care is provided by private practitioners and three government health clinics. Fees are charged for hospital care, and medical insurance is compulsory for all workers. A hospital levy covers the cost of services rendered by the hospitals to children under 16 years of age. Indigent persons over 65 years of age pay 20 per cent of hospital costs.

53. The Government wants its health-care system to provide quality care as efficiently as possible. New funding is being allocated in the 1998/99 budget for hospitals and nursing facilities, which includes funding for treatment of HIV/AIDS, testing kits for HIV and other sexually transmitted diseases and vaccines, hospice care, renal

dialysis, child and family care and the foster-care programme.

54. To assist the Bermuda Hospitals Board to maintain high standards of on-island care, the Customs Tariff Act is to be amended by the Government to encourage the purchase of equipment for hospitals from the Board's Endowment and Donations Funds.

D. Drugs

55. According to press reports, Bermudian authorities have stopped close to US$ 4 million worth of illegal drugs from entering the island in the first four months of 1998. This figure is twice the amount seized during the same period in 1997. More than 100 people have been arrested for drug-related offences since December 1997. The Bermudian Police has revised its drug strategy to look at ways to improve enforcement, reduce demand and educate the public. It has also refocused the Narcotics Department to come up with "proactive initiatives" and has set up a Task Force to consider initiatives to combat drug dealers.[10]

56. The territorial Government's war on drugs emphasizes treatment and rehabilitation. The Department of Human Affairs was to receive an additional $550,000 for the National Drug Commission in the 1998-1999 budget, an increase of 46 per cent over the previous year. The Commission is expected to begin phasing in a drugs court and will support a Salvation Army drug rehabilitation programme. The total resources allocated to the National Drug Commission would be $1.75 million.

VI. Educational conditions

57. Education in Bermuda is compulsory for all children from 5 to 16 years of age, and is free for students in the preschool, junior, special and secondary government schools administered by Bermuda's Ministry of Education.

58. The Government was reported to have invested $6.2 million in new facilities for middle schools in 1997. The renovations are part of a two-phase plan, with most of the work expected to be done in the first phase over a five-year period. Middle school education will offer an expanded curriculum and will last for three years, with students moving on to the senior school for a four-year programme.[11]

59. Bermuda has a Public Schools' Code of Conduct embodied in the Education Act 1996 which is applied to all government schools and has its equivalent enforced in private schools.

60. There are no degree-conferring universities, and no business or law schools in Bermuda. The Government awards a number of scholarships each year to young Bermudians accepted at leading universities in the United States, Canada or the United Kingdom. Scholarships are also awarded by local banks, principal law firms, and Bermuda-based international companies, to obtain university degrees or to enter the Civil Service, banking, business, insurance and legal firms in the private sector. Under the Bermuda Government's National Education Guarantee Scheme, begun in 1994, no Bermudian student with university potential is denied an opportunity for further education due to a lack of funds. The Government does not offer scholarships, but provides education loans for university attendance with a generous pay-back period.[12]

VII. Future political status of the Territory

A. Independence referendum

61. It will be recalled that, on 24 March 1995, the territorial House of Assembly adopted the Independence Referendum Act. On 5 April 1995, the bill was approved by the Senate. The referendum was held on 16 August 1995. According to the administering Power, 58.8 per cent of registered voters participated in the referendum, the results of which were as follows: 25.6 per cent voted in favour of independence; 73.7 per cent voted against it and 0.7 per cent abstained. Following the referendum, Sir John Swan, Premier of Bermuda, resigned and was replaced by former Finance Minister Mr. David Saul (see A/AC.109/2020, paras. 31-40 and A/AC.109/2041, paras. 35-37).

B. Position of the territorial Government

62. In September 1995, Mr. David Saul, then Premier of Bermuda, stated that "independence was water under the bridge" and that the "issue would not be raised again during the life of the current parliamentary session".[13] That position remained unchanged during the period under review.

C. Position of the administering Power

63. On 4 February 1998, the Secretary for Foreign and Commonwealth Affairs of the United Kingdom, Mr. Robin Cook, in a speech before the Dependent Territories Association in London, announced that in his first months as Foreign Secretary, he had set in hand a review of the United Kingdom's stewardship of the Dependent Territories. A summary of the principles and key issues contained in the proposal "to modernize" the United Kingdom's relations with the Territories is contained in document A/AC.109/2102, paras. 70-81.

D. Action by the General Assembly

64. In a statement before the Special Political and Decolonization Committee (Fourth Committee) of the General Assembly, on 10 October 1997, the representative of the United Kingdom stated her Government's position towards its Dependent Territories (see also A/C.4/52/SR.6, paras. 79-85).

65. On 10 December 1997, the General Assembly adopted without a vote resolution 52/77 B, section III of which particularly concerns Bermuda.

Notes

[1] The information contained in the present working paper has been derived from published information.

[2] Economist Intelligence Unit, 1st quarter 1998.

[3] Ibid.

[4] *The Royal Gazette*, March 1998/*Bermuda Sun*, 18 July 1997.

[5] Economist Intelligence Unit Country Profile 1997-98.

[6] Ibid.

[7] Ibid.

[8] One Bermuda dollar (B$ 1.00) is equivalent to one United States dollar (US$ 1.00).

[9] 1998 Caribbean Basin Profile, Bermuda.

[10] *The Royal Gazette*, 16 April 1998.

[11] *Bermuda Sun*, 18 July 1997.

[12] *The Royal Gazette*, 5 May 1998.

[13] Ibid., 30 September 1995.